

HOUSING PRIVATIZATION PRIMER

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Why Privatization?

The Department of Defense has determined that the shortage of quality, affordable housing available to service members and their families in local communities had reached a point where readiness and retention were at risk. Service officials seeking new legislation argued that if they were required to use standard military construction procedures and conform to existing federal laws, they would never be able to remedy the situation. The average age of military family housing is 33 years. About 25 percent of those are more than 40 years old. The majority were built before the advent of the all-volunteer force. It could take 40 years and billions of dollars simply to correct the deficiencies in the 300,000 family housing units under Department of Defense control. Consequently, the Pentagon proposed, and Congress enacted the Military Housing Privatization Initiative in the 1996 National Defense Authorization Act. This new law paves the way for the military services to address their housing needs by utilizing privately financed and privately built houses constructed to current industry standards. The goal of the Military Housing Privatization Initiative is to drastically reduce the time required to provide military members with quality, affordable housing by

replacing the Defense Department's aging housing units with additional community housing.

Housing Privatization Process

SOURCE:

Air Force Housing Privatization Policy and Guidance, April 1997
Outsourcing and Privatization Division
DCS/Installation and Logistics
Headquarters United States Air Force

Project Identification: Defining the Problem

[Pre-Industry Forum]

Define Requirements - The project development process begins with a strategic review of the housing problem followed by an analysis of alternative approaches to employ private sector solutions. The Housing Community Plan (HCP), the Housing Market Analysis (HMA) and the Family Housing Facility Assessment are key references that support a review and understanding of the total housing requirement. When defining housing requirements, these things should be considered:

- Redistributing existing units to other grades, if it minimizes a significant renovation requirement
- Categorizing improvement requirements by scope, unit type and location
- Categorizing replacement requirements by unit type and location
- Identifying whether community deficiencies exist because of availability or affordability and categorizing by unit type

Conduct Preliminary Analysis - After completing a strategic review of the installation's housing requirement, conduct a preliminary analysis to determine the most effective use of privatization in satisfying all or part of the requirement. Conducting the analysis includes identifying the privatization project scope, identifying information sources, gathering the information and applying the

preliminary proforma. The project scope should be determined by matching the installation's long term goals and requirements with available resources. When gathering information to conduct the preliminary analysis, consider the following:

- Include a variety of size and unit types to increase market viability
- Include unit types typical for the local community
- Include higher grade occupants to improve financial viability
- Add renovation requirements to new construction requirements to improve financial feasibility

The preliminary proforma evaluates the financial viability of improving or replacing existing inadequate housing and constructing new housing.

The proforma calculates a development budget gap. This development budget gap is the difference between the anticipated private sector contribution (developer equity and available financing).

The results of the preliminary analysis are forwarded to the Air Force Privatization Office AF/ILEI for review and project validation, along with synopsis of the installation's long-term goal for housing and a summary of the proposed project.

Program Project Requirements - Potential housing privatization projects for fiscal years 1998 and 1999 will be funded from either the approved Military Family Housing Construction projects, the sale of existing assets, or funds appropriated directly to the Family Housing Improvement Fund.

Housing Revitalization Support Office (HRSO) will award funds, regardless of service, based on the following criteria:

1. The project addresses a critical housing priority.
2. The project achieves HRSO's target leverage.
3. The project cannot be readily funded from other available sources.

4. The project expands HRSO's experience in using the privatization tools and mechanisms.
5. The project broadens HRSO's base of project size and configuration.

Potential housing privatization initiatives for 2000 and beyond will be programmed as privatization projects during the normal budget cycle. Potential projects for 2000 and beyond will also be prioritized and submitted for review and inclusion into the Air Force housing privatization program.

Project Definition: Developing the Concept

Evaluate Opportunities for Using Authorities - After AF/ILEI validates the preliminary analysis results, the MAJCOM requests a site visit. The following information must be submitted to AF/ILEI at least three weeks prior to the date of the requested site visit.

- A preliminary proforma for the proposed project
- A copy of the Housing Market Analysis
- Copies of any feasibility studies for the proposed project
- A copy of DD Form 1391, for projects using Military Family Housing Construction/Improvement funding
- Installation maps, for projects proposing use of installation land

AF/ILEI reviews the information and forwards a site visit request to HRSO. Installation site visits are a joint AF/ILEI, HRSO and MAJCOM effort.

The site visit captures information on local housing opportunities through meetings and interviews with the community and local housing specialists.

HRSO coordinates with AF/ILEI, the MAJCOM and the installation to develop privatization approaches that satisfy the housing requirement. HRSO uses a financial proforma model to assess the feasibility of the various approaches.

A draft site determination report is issued for Air Force review and comment. The draft report

identifies whether a privatization project is a viable alternative for the installation, provides options for using the privatization authorities and identifies methods for closing the development budget gap.

After receipt of the final report, the installation and the MAJCOM determine whether to proceed with a privatization project. Preferred option(s) are selected based on a life cycle cost analysis and the potential for leveraging.

Review and Approve Concept - MAJCOMs identify their preferred privatization option(s) in the project concept. The project concept provides an overview of the installation's housing requirement, the local real estate market, the installation strategic view for housing and the objectives and specific details of the proposed privatization project. MAJCOMs identify assets to be contributed to the project, the use of the authorities, critical issues and the financial aspects of the proposed project.

The project concept review and approval includes review and acceptance briefings to the Air Force Housing Privatization Integrated Process Team, an Air Force Executive Steering Group.

[Post Industry Forum]

Develop Proposed Project Plan - After DUSD(IA&I) approval to proceed with project development, MAJCOMs begin the process of narrowing the project focus for solicitation. The process includes a refinement of the project concept and feedback from private industry and the community.

Private industry and community review of the project concept can be obtained by conducting an industry forum, or issuing a request for information.

Finally, the plan outlines the acquisition strategy. The plan also includes a brief overview of the source selection team's roles and responsibilities and an acquisition schedule.

Review and Approve Project Plan - MAJCOMs submit their project plans to AF/ILEI for review and approval by the Air Force Housing Privatization Integrated Process Team.

Project Acquisition: The Selection Process

Develop Acquisition Documents - An approved project plan forms the basis for acquisition document development. The term "acquisition documents" refers to all documents required to announce, advertise, solicit, evaluate and select an entity to provide quality housing for military families. Project acquisition documents are the cornerstone of a long-term relationship with the private sector to provide quality housing for service members.

Using the privatization authorities, the Air Force may establish varying relationships with private owners and managers of housing. Unlike military construction funded housing, private developers own and manage the housing, while the Air Force may act as lender, loan guarantor, lessor and/or rent subsidizer. These new roles reach far beyond the "built it, own it, and manage it" relationship of traditional military housing construction.

The success of privatization depends on the Air Force establishing quality relationships with private owners, managers and developers of housing.

The financial and legal portion of the solicitation document identifies the Government's expectations for rents, uses of the legislative authorities and anticipated private participation in development financing. Although the legislation provides many authorities for structuring public/private agreements, some authorities have significant budget scoring impacts. The solicitation document must ensure potential offerors do not expend the effort to develop a proposal using authorities that carry an undesirable scoring impact. There are two options—instruct offerors how to score the use of each authority, or limit the authorities available for a given solicitation. The Air Force approach is to limit the authorities available for each solicitation.

The solicitation document must also identify the criteria used to define best value, noting the relative importance and outlining the methodology of evaluating the criteria.

While the FAR also provides guidelines for structuring an evaluation, use caution in strict application of these practices. Privatization proposals are inherently different from traditional acquisition/procurement proposals where technical and cost submittals are evaluated separately. In these transactions, the financial arrangements are as important, if not more, as the technical aspects of the projects.

MAJCOMs have primary responsibility to develop, coordinate review and obtain approval of project acquisition documents.

Submit Notification - After obtaining DUSD(IA&I) concurrence and Air Force approval on the acquisition documents, AF/ILEI prepares and submits notification to Congress of the Air Force's intent to issue solicitation documents. The Congressional notification is required before issuing solicitations using the housing privatization authorities. The notification describes the requirement, the proposed solicitation and the intended method of Government participation. When applicable, this notification also identifies any intent to offer a lease or conveyance of government-owned property. The notification must be submitted not later than 30 days before issuing a solicitation.

Issue Solicitation - No legal requirement exists to notify Congress before formally publicizing plans to use the authorities. However, the Air Force will make every effort to comply with the intent to notify Congress before beginning the solicitation process. The Air Force considers public announcements that include an intent to limit prospective offerors, part of the solicitation process. Therefore, the Air Force will make every effort to notify Congress before issuing these types of notifications.

Evaluate Response to Solicitation - Response evaluation procedures vary with the types of

solicitations issued and the legislative authorities applicable to given market conditions.

Evaluation procedures may also vary due to requirements for incorporating regulatory considerations when making a final selection.

Submit Notification and Secure Funds

Authorization - Congressional notification is required to identify the source of funds used to enter agreements. SAF/FMB will identify the source for the funds and include a justification for the transfer. SAF/FMB will prepare and submit proposed project reallocation information, to transfer the full amount of funds available from a military family housing construction project.

Award - MAJCOMs cannot award or enter into an agreement until they receive notice to proceed from SAF/MII. After SAF/MII has coordinated notice to proceed with DUSD(IA&I), AF/ILE will issue budget authority to the MAJCOMs concurrently with SAF/MII issuance of notice to proceed.

Project Management: Working as Partners

Initiate Project - The installation identifies a multi-disciplinary project management team consisting of both installation personnel and, to the extent possible and appropriate, headquarters-level personnel to oversee and administer all aspects of an agreement. Most agreements will contain a range of commitments and obligations for both the private sector and the installation. Team composition should consist of representatives from the legal, engineering, financial management and contracting functional areas. Team members selection should consider the long-term nature of these agreements and the importance of continuity over the duration of the project.

The project management team closely monitors financial transactions to ensure compliance with agreement milestones and commitment.

Provide Project Oversight and Ensure Compliance - Quality control and assurance responsibilities will vary with the agreement type and location. The Air Force must establish an

appropriate level of inspection to ensure quality performance, by meshing self-motivating quality performance expectations with market oriented specifications for product design and quality construction.

The project management team maintains oversight of the commitments and performance standards. The team establishes a schedule for periodic reviews and/or inspections. These reviews should target potential problems before tenants are impacted. Tenant satisfaction is a key factor in the success of housing privatization. Ensuring quality controls, in accordance with the agreements, is crucial to the continued success of this program.

The long-term agreement length, eventual changes in local community housing markets and reposturing of installation missions can impact the future occupancy of a privatization project. Maintaining a cooperative relationship and open communications with the private sector team members fosters opportunities to realign unit occupancies to meet changing installation, or market conditions.

Conduct Financial Planning and Budgeting

Agreements may require annual payments to or from a private entity. Payments subject to annual appropriations must be budgeted, appropriated and authorized each year as a separate requirement.

Legislative Authorities

Congress has allowed us to open the door to looking at housing in a different way. This section deals with the legislative authorities Congress has provided for the Department of Defense to use for Housing Privatization. The following authorities are discussed:

"Sec.

- *"2871. Definitions.*
- *"2872. General authority.*
- *"2873. Direct loans and loan guarantees.*
- *"2874. Leasing of housing to be constructed.*

- *"2875. Investments in nongovernmental entities.*
- *"2876. Rental guarantees.*
- *"2877. Differential lease payments.*
- *"2878. Conveyance or lease of existing property and facilities.*
- *"2879. Interim leases.*
- *"2880. Unit size and type.*
- *"2881. Ancillary supporting facilities.*
- *"2882. Assignment of members of the armed forces to housing units.*
- *"2883. Department of Defense Housing Funds.*
- *"2884. Reports.*
- *"2885. Expiration of authority.*

**1996 Defense Authorization Act, Public Law
104-106 110 Stat 186
Signed by President Clinton on Saturday,
February 10, 1996.**

One Hundred Fourth Congress of the United States of America at the Second Session, begun and held at the City of Washington on Wednesday, the third day of January, one thousand nine hundred and ninety-six. S1124 Thurmond S. (R-SC), 01/26/96, (32488 lines), enrolled (finally passed both houses)

An Act

To authorize appropriations for fiscal year 1996 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, to reform acquisition laws and information technology management of the Federal Government, and for other purposes. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE XXVIII--GENERAL PROVISIONS

SUBTITLE A--MILITARY HOUSING PRIVATIZATION INITIATIVE

SEC. 2801. ALTERNATIVE AUTHORITY FOR CONSTRUCTION AND IMPROVEMENT OF MILITARY HOUSING.

(a) ALTERNATIVE AUTHORITY TO
CONSTRUCT AND IMPROVE MILITARY
HOUSING.--(1) Chapter 169 of title 10, United
States Code, is amended by adding at the end the
following new subchapter:

"SUBCHAPTER IV--ALTERNATIVE AUTHORITY FOR ACQUISITION AND IMPROVEMENT OF MILITARY HOUSING

"Sec.

"2871. Definitions.

"2872. General authority.

"2873. Direct loans and loan guarantees.

"2874. Leasing of housing to be constructed.

"2875. Investments in nongovernmental entities.

"2876. Rental guarantees.

"2877. Differential lease payments.

"2878. Conveyance or lease of existing property
and facilities.

"2879. Interim leases.

"2880. Unit size and type.

"2881. Ancillary supporting facilities.

"2882. Assignment of members of the armed
forces to housing units.

"2883. Department of Defense Housing Funds.

"2884. Reports.

"2885. Expiration of authority.

"S 2871. DEFINITIONS - "In this subchapter:

1. The term 'ancillary supporting facilities' means facilities related to military housing units, including child care centers, day care centers, tot lots, community centers, housing offices, dining facilities, unit offices, and other similar facilities for the support of military housing.
2. The term 'base closure law' means the following: "(A) Section 2687 of this title. "(B)

Title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100-526; 10 U.S.C. 2687 note). "(C) The Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note).

3. The term 'construction' means the construction of military housing units and ancillary supporting facilities or the improvement or rehabilitation of existing units or ancillary supporting facilities.
4. The term 'contract' includes any contract, lease, or other agreement entered into under the authority of this subchapter.
5. The term 'Fund' means the Department of Defense Family Housing Improvement Fund or the Department of Defense Military Unaccompanied Housing Improvement Fund established under section 2883(a) of this title.
6. The term 'military unaccompanied housing' means military housing intended to be occupied by members of the armed forces serving a tour of duty unaccompanied by dependents.
7. The term 'United States' includes the Commonwealth of Puerto Rico.

"S 2872. GENERAL AUTHORITY

"In addition to any other authority provided under this chapter for the acquisition or construction of military family housing or military unaccompanied housing, the Secretary concerned may exercise any authority or any combination of authorities provided under this subchapter in order to provide for the acquisition or construction by private persons of the following:

1. Family housing units on or near military installations within the United States and its territories and possessions.
2. Military unaccompanied housing units on or near such military installations.

"S 2873. DIRECT LOANS AND LOAN GUARANTEES

"(a) Direct Loans.--(1) Subject to subsection (c), the Secretary concerned may make direct loans to

persons in the private sector in order to provide funds to such persons for the acquisition or construction of housing units that the Secretary determines are suitable for use as military family housing or as military unaccompanied housing.

"(2)The Secretary concerned shall establish such terms and conditions with respect to loans made under this subsection as the Secretary considers appropriate to protect the interests of the United States, including the period and frequency for repayment of such loans and the obligations of the obligors on such loans upon default.

"(b)Loan Guarantees.--(1) Subject to subsection (c), the Secretary concerned may guarantee a loan made to any person in the private sector if the proceeds of the loan are to be used by the person to acquire, or construct housing units that the Secretary determines are suitable for use as military family housing or as military unaccompanied housing.

"(2)The amount of a guarantee on a loan that may be provided under paragraph (1) may not exceed the amount equal to the lesser of

"(A) the amount equal to 80 percent of the value of the project; or

"(B) the amount of the outstanding principal of the loan.

"(3)The Secretary concerned shall establish such terms and conditions with respect to guarantees of loans under this subsection as the Secretary considers appropriate to protect the interests of the United States, including the rights and obligations of obligors of such loans and the rights and obligations of the United States with respect to such guarantees.

"(c)Limitation on Direct Loan and Guarantee Authority.--Direct loans and loan guarantees may be made under this section only to the extent that appropriations of budget authority to cover their cost (as defined in section 502(5) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5))) are made in advance, or authority is otherwise provided in appropriation Acts. If such appropriation or

other authority is provided, there may be established a financing account (as defined in section 502(7) of such Act (2 U.S.C. 661a(7))), which shall be available for the disbursement of direct loans or payment of claims for payment on loan guarantees under this section and for all other cash flows to and from the Government as a result of direct loans and guarantees made under this section.

"S 2874. LEASING OF HOUSING TO BE CONSTRUCTED

"(a)Build And Lease Authorized.--The Secretary concerned may enter into contracts for the lease of military family housing units or military unaccompanied housing units to be constructed under this subchapter.

"(b)Lease Terms.--A contract under this section may be for any period that the Secretary concerned determines appropriate and may provide for the owner of the leased property to operate and maintain the property.

"S 2875. INVESTMENTS IN NONGOVERNMENTAL ENTITIES

"(a)Investments Authorized.--The Secretary concerned may make investments in nongovernmental entities carrying out projects for the acquisition or construction of housing units suitable for use as military family housing or as military unaccompanied housing.

"(b)Forms of Investment.--An investment under this section may take the form of an acquisition of a limited partnership interest by the United States, a purchase of stock or other equity instruments by the United States, a purchase of bonds or other debt instruments by the United States, or any combination of such forms of investment.

"(c)Limitation on Value of Investment.--(1) The cash amount of an investment under this section in a nongovernmental entity may not exceed an amount equal to $33\frac{1}{3}$ percent of the capital cost (as determined by the Secretary concerned) of the project or projects that the entity proposes to carry out under this section with the investment.

"(2) If the Secretary concerned conveys land or facilities to a nongovernmental entity as all or part of an investment in the entity under this section, the total value of the investment by the Secretary under this section may not exceed an amount equal to 45 percent of the capital cost (as determined by the Secretary) of the project or projects that the entity proposes to carry out under this section with the investment.

"(3) In this subsection, the term 'capital cost', with respect to a project for the acquisition or construction of housing, means the total amount of the costs included in the basis of the housing for Federal income tax purposes.

"(d) Collateral Incentive Agreements.--The Secretary concerned shall enter into collateral incentive agreements with nongovernmental entities in which the Secretary makes an investment under this section to ensure that a suitable preference will be afforded members of the armed forces and their dependents in the lease or purchase, as the case may be, of a reasonable number of the housing units covered by the investment.

"S 2876. RENTAL GUARANTEES

"The Secretary concerned may enter into agreements with private persons that acquire or construct military family housing units or military unaccompanied housing units under this subchapter in order to assure--

1. The occupancy of such units at levels specified in the agreements; or
2. Rental income derived from rental of such units at levels specified in the agreements.

"S 2877. DIFFERENTIAL LEASE PAYMENTS

"Pursuant to an agreement entered into by the Secretary concerned and a private lessor of military family housing or military unaccompanied housing to members of the armed forces, the Secretary may pay the lessor an amount in addition to the rental payments for the housing made by the members as the Secretary determines appropriate to encourage the lessor to make the housing available to

members of the armed forces as military family housing or as military unaccompanied housing.

"S 2878. CONVEYANCE OR LEASE OF EXISTING PROPERTY AND FACILITIES

"(a) Conveyance or Lease Authorized.--The Secretary concerned may convey or lease property or facilities (including ancillary supporting facilities) to private persons for purposes of using the proceeds of such conveyance or lease to carry out activities under this subchapter.

"(b) Inapplicability To Property At Installation Approved For Closure.--The authority of this section does not apply to property or facilities located on or near a military installation approved for closure under a base closure law.

"(c) Terms and Conditions.--(1) The conveyance or lease of property or facilities under this section shall be for such consideration and upon such terms and conditions as the Secretary concerned considers appropriate for the purposes of this subchapter and to protect the interests of the United States.

"(2) As part or all of the consideration for a conveyance or lease under this section, the purchaser or lessor (as the case may be) shall enter into an agreement with the Secretary to ensure that a suitable preference will be afforded members of the armed forces and their dependents in the lease or sublease of a reasonable number of the housing units covered by the conveyance or lease, as the case may be, or in the lease of other suitable housing units made available by the purchaser or lessee.

"(d) Inapplicability of Certain Property Management Laws.--The conveyance or lease of property or facilities under this section shall not be subject to the following provisions of law:

1. Section 2667 of this title.
2. The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.).
3. Section 321 of the Act of June 30, 1932 (commonly known as the Economy Act) (40 U.S.C. 303b).
4. Section 501 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11401).

"S 2879. INTERIM LEASES

"Pending completion of a project to acquire or construct military family housing units or military unaccompanied housing units under this subchapter, the Secretary concerned may provide for the interim lease of such units of the project as are complete. The term of a lease under this section may not extend beyond the date of the completion of the project concerned.

"S 2880. UNIT SIZE AND TYPE

"(a) Conformity with Similar Housing Units In Locale.--The Secretary concerned shall ensure that the room patterns and floor areas of military family housing units and military unaccompanied housing units acquired or constructed under this subchapter are generally comparable to the room patterns and floor areas of similar housing units in the locality concerned.

"(b) Inapplicability of Limitations on Space by Pay Grade.--(1) Section 2826 of this title shall not apply to military family housing units acquired or constructed under this subchapter. (2) The regulations prescribed under section 2856 of this title shall not apply to any military unaccompanied housing unit acquired or constructed under this subchapter unless the unit is located on a military installation.

"S 2881. ANCILLARY SUPPORTING FACILITIES

"Any project for the acquisition or construction of military family housing units or military unaccompanied housing units under this subchapter may include the acquisition or construction of ancillary supporting facilities for the housing units concerned.

"S 2882. ASSIGNMENT OF MEMBERS OF THE ARMED FORCES TO HOUSING UNITS

"(a) In General.--The Secretary concerned may assign members of the armed forces to housing units acquired or constructed under this subchapter.

"(b) Effect of Certain Assignments on Entitlement To Housing Allowances.--(1) Except as provided in

paragraph (2), housing referred to in subsection (a) shall be considered as quarters of the United States or a housing facility under the jurisdiction of a uniformed service for purposes of section 403(b) of title 37.

"(2) A member of the armed forces who is assigned in accordance with subsection (a) to a housing unit not owned or leased by the United States shall be entitled to a basic allowance for quarters under section 403 of title 37 and, if in a high housing cost area, a variable housing allowance under section 403a of that title.

"(c) Lease Payments Through Pay Allotments.--The Secretary concerned may require members of the armed forces who lease housing in housing units acquired or constructed under this subchapter to make lease payments for such housing pursuant to allotments of the pay of such members under section 701 of title 37.

"S 2883. DEPARTMENT OF DEFENSE HOUSING FUNDS

"(a) Establishment.--There are hereby established on the books of the Treasury the following accounts:

1. The Department of Defense Family Housing Improvement Fund.
2. The Department of Defense Military Unaccompanied Housing Improvement Fund.

"(b) Commingling of Funds Prohibited.--(1) The Secretary of Defense shall administer each Fund separately.

"(2) Amounts in the Department of Defense Family Housing Improvement Fund may be used only to carry out activities under this subchapter with respect to military family housing.

"(3) Amounts in the Department of Defense Military Unaccompanied Housing Improvement Fund may be used only to carry out activities under this subchapter with respect to military unaccompanied housing.

"(c) Credits to Funds.--(1) There shall be credited to the Department of Defense Family Housing Improvement Fund the following:

"(A) Amounts authorized for and appropriated to that Fund. "(B) Subject to subsection (f), any amounts that the Secretary of Defense transfers, in such amounts as provided in appropriation Acts, to that Fund from amounts authorized and appropriated to the Department of Defense for the acquisition or construction of military family housing.

"(C) Proceeds from the conveyance or lease of property or facilities under section 2878 of this title for the purpose of carrying out activities under this subchapter with respect to military family housing.

"(D) Income derived from any activities under this subchapter with respect to military family housing, including interest on loans made under section 2873 of this title, income and gains realized from investments under section 2875 of this title, and any return of capital invested as part of such investments.

"(2) There shall be credited to the Department of Defense Military Unaccompanied Housing Improvement Fund the following:

"(A) Amounts authorized for and appropriated to that Fund. "(B) Subject to subsection (f), any amounts that the Secretary of Defense transfers, in such amounts as provided in appropriation Acts, to that Fund from amounts authorized and appropriated to the Department of Defense for the acquisition or construction of military unaccompanied housing. "(C) Proceeds from the conveyance or lease of property or facilities under section 2878 of this title for the purpose of carrying out activities under this subchapter with respect to military unaccompanied housing. "(D) Income derived from any activities under this subchapter with respect to military unaccompanied housing, including interest on loans made under section 2873 of this title, income and gains realized from investments under section 2875 of this title, and any return of capital invested as part of such investments.

"(d) Use of Amounts In Funds.--(1) In such amounts as provided in appropriation Acts and except as provided in subsection (e), the Secretary

of Defense may use amounts in the Department of Defense Family Housing Improvement Fund to carry out activities under this subchapter with respect to military family housing, including activities required in connection with the planning, execution, and administration of contracts entered into under the authority of this subchapter.

"(2) In such amounts as provided in appropriation Acts and except as provided in subsection (e), the Secretary of Defense may use amounts in the Department of Defense Military Unaccompanied Housing Improvement Fund to carry out activities under this subchapter with respect to military unaccompanied housing, including activities required in connection with the planning, execution, and administration of contracts entered into under the authority of this subchapter.

"(3) Amounts made available under this subsection shall remain available until expended. The Secretary of Defense may transfer amounts made available under this subsection to the Secretaries of the military departments to permit such Secretaries to carry out the activities for which such amounts may be used.

"(e) Limitation on Obligations.--The Secretary may not incur an obligation under a contract or other agreement entered into under this subchapter in excess of the unobligated balance, at the time the contract is entered into, of the Fund required to be used to satisfy the obligation.

"(f) Notification Required For Transfers.--A transfer of appropriated amounts to a Fund under paragraph (1)(B) or (2)(B) of subsection (c) may be made only after the end of the 30-day period beginning on the date the Secretary of Defense submits written notice of, and justification for, the transfer to the appropriate committees of Congress.

"(g) Limitation on Amount of Budget Authority.--The total value in budget authority of all contracts and investments undertaken using the authorities provided in this subchapter shall not exceed--

"(1) \$850,000,000 for the acquisition or construction of military family housing; and

"(2)\$150,000,000 for the acquisition or construction of military unaccompanied housing.

"S 2884. REPORTS

"(a)Project Reports.--(1) The Secretary of Defense shall transmit to the appropriate committees of Congress a report describing-- "(A) each contract for the acquisition or construction of family housing units or unaccompanied housing units that the Secretary proposes to solicit under this subchapter; and "(B) each conveyance or lease proposed under section 2878 of this title.

"(2)The report shall describe the proposed contract, conveyance, or lease and the intended method of participation of the United States in the contract, conveyance, or lease and provide a justification of such method of participation. The report shall be submitted not later than 30 days before the date on which the Secretary issues the contract solicitation or offers the conveyance or lease.

"(b)Annual Reports.--The Secretary of Defense shall include each year in the materials that the Secretary submits to Congress in support of the budget submitted by the President pursuant to section 1105 of title 31 the following: "(1) A report on the expenditures and receipts during the preceding fiscal year covering the Funds established under section 2883 of this title. "(2) A methodology for evaluating the extent and effectiveness of the use of the authorities under this subchapter during such preceding fiscal year. "(3) A description of the objectives of the Department of Defense for providing military family housing and military unaccompanied housing for members of the armed forces.

"S 2885. EXPIRATION OF AUTHORITY

"The authority to enter into a contract under this subchapter shall expire five years after the date of the enactment of the National Defense Authorization Act for Fiscal Year 1996."

(2) The table of subchapters at the beginning of such chapter is amended by inserting after the item relating to subchapter III the following new item:

"IV. Alternative Authority for Acquisition and Improvement of 2871". Military Housing

(b) Final Report. -- Not later than March 1, 2000, the Secretary of Defense shall submit to the congressional defense committees a report on the use by the Secretary of Defense and the Secretaries of the military departments of the authorities provided by subchapter IV of chapter



NOTES

169 of title 10, United States Code,

as added by subsection (a) The report shall assess the effectiveness of such authority in providing for the construction and improvement of military family housing and military unaccompanied housing.